

ARLINGTON FINANCE COMMITTEE
MINUTES OF MEETING
7:30PM O'Neill Room Community Safety Building
11/3/10

ATTENDEES:

McGaffigan*		Bayer*	Phelps*	Dunn*
DeCoursey*	Connors*	Simmons*		
Tosti*	Foskett*	Deyst*	Ronan*	
Ferrara*	Franclemont*	Jones*	Deshler*	
DuBois*	Howard*	Fanning*	Carman	Turkall*

* Indicates present

VISITORS: Deputy Town Manager Adam Chapdelaine, Vicki Ford of Stand For Children, Mark Streitfeld

MINUTES of 9/22/10 and 11/1/10 approved as corrected. Unanimous

ART 5 HOME RULE LEGISLATION/GIC: Chapdelaine explained that negotiations w/ the unions are proceeding w/ some chance of agreement on joining GIC. He provided (Ref 1) the comment on the no action vote of the BoS, the proposed vote on Art 27 on this subject from last spring's Town Meeting, the actual vote, a resolution under Art 27 and a copy of a presentation made by the manager to a recent meeting w/ Town employees explaining the health insurance problem. The FinCom hopes that an agreement can be reached before the STM.

VOTED: No report at this time. Unanimous.

ART 4 CAPITAL BUDGET/STRATTON SCHOOL: Foskett, using a handout (Ref 2), requested the FinCom to recommend that bonds for long lead time materials for renovations at Stratton planned for next summer be authorized to prevent construction delays. Payments won't be due until next FY so that the capital plan will be unaffected. VOTED authority to borrow \$1,360,000. Unanimous.

ART 2 AMEND FY11 BUDGET: At the previous meeting, the School Department stated that the overrun in FY10 was \$1,525,021, a figure confirmed by the Comptroller. They requested that their FY11 budget be reduced by that amount. This action would not affect the school budget because the FY11 revenue estimate has proved to be too low. They stated that, even after this reduction, they expect \$777,589 more than had been budgeted in the budget approved last spring. Of this amount, \$600,000 was provided in a fund raising campaign and was promised for specific priorities. All \$777k has been appropriated by the School Committee with no reserve. FinCom members discussed this situation. All recognize the danger to the town should an overrun threaten again next spring. There was general agreement that the Reserve Fund should be increased to insure against this possibility. A side affect of this approach is that should this reserve be needed, school department financial details would have to be explained to a much wider audience than in the past. Members thought this to be a healthy effect. The various ideas were boiled down to 3 options which were voted on in the following order:

1. Reduce school budget by \$1,902,000 = overrun + about half the remaining revenue increase. Increase the Reserve Fund by \$377,589. VOTED 3 yes, 12 no
 2. Reduce the school budget by \$1,702,610 = overrun + the remaining revenue increase - Bridge The Gap funds. Increase the Reserve Fund by \$177,589 + \$200,000 from the Tip Fee Stabilization Fund. VOTED 12 yes, 5 no.
 3. Reduce the school budget by \$1,525,021 as requested. No vote required.
- Thus Option 2 was approved.

ART 3 TRANSFER OF THOMPSON SCHOOL AND NORTH UNION ST

PLAYGROUND: At the previous meeting, the Thompson School Building Committee had proposed building the new school on the adjacent playground and building a new playground where the school is now. Members opposed this option on several grounds. The new playground would cost at least \$2m w/ no reimbursement. There is high risk that costs will increase because of contamination in one or both sites. There is risk that one of the many approvals required to approve the playground taking will be refused which would greatly delay the project. Creating another option to replace this one would be relatively inexpensive at this time. One possibility would be to extend the wings of the existing building.

VOTED no action. Unanimous

ART 6 APPROPRIATE/TRANSFER FUNDS/FY11 APPROPRIATIONS: VOTED no action since the desired action was taken under Art 2. Unanimous.

TRANSFER REQUEST: The Treasurer requested \$150,348 in a letter (Ref 3), received by email, to cover an increase in the funds required by the 6% increase in contributory pension appropriation required by PERAC. The appropriation voted at Town Meeting was based on 4% which was eventually made possible by a vote of the legislature to delay the date of full funding. This vote came too late to affect the PERAC action. VOTED to transfer \$50,349 from the Reserve Fund to the ARB. Unanimous. The remainder will be covered on the recap sheet.

COMMITTEE: Members received a draft of the FinCom Report by email. Tosti requested support of his recommendation in the introduction that the Powers & Sullivan Audit recommendations be implemented by the Town. VOTED to support the Chair's recommendation. Unanimous.

REFERENCES:

Ref 1 Information provided by Deputy Town Manager (GIC_Docs_FC_11-3-10.pdf)

Ref 2 Stratton School Project Adjustments (StrattonSchoolProjectAdjustments.pdf)

Ref 3 Transfer Request For Retirement Board. (RETIREboard_TrnsfrREQ.doc)

RESERVE FUND BALANCE: \$600,000 - \$50,349 - \$10,500 (parking meters - summer transfer) = \$539,151

Peter B Howard 11/5/10 11/8/10

cc FinCom Members, Library File, Town Web Site

As you are aware, last spring at the Annual Town Meeting the attached resolution was approved by a vote of 126 in favor and 37 opposed.

Along with the resolution, we have attached a copy of the Town Manager's report on this issue from last spring which provides useful background information on this subject as well as the original proposed home rule petition.

Since then, the Town Manager has met with the Public Employee Committee (PEC) throughout the summer. A number of productive sessions were held culminating in a recent tentative agreement. The agreement is subject to ratification votes of the employee unions. A 70% weighted vote is needed to approve the agreement to move employees into the State's health care program (GIC). Information and education sessions are scheduled for all the various employee groups over the next several weeks with the actual union votes taking place shortly after Town Meeting.

Given the good faith bargaining that has taken place and given the tentative agreement reached, the Town Manager and the Board concur that a vote of NO ACTION would be appropriate at this time. If anything should change prior to Town Meeting to indicate that the PEC would likely not follow through with a positive vote, the Board will reconsider its recommendation on the previously proposed home rule petition.

**ARTICLE 27 HOME RULE LEGISLATION/GROUP INSURANCE
COMMISSION**

**VOTED: (STANDING VOTE – 126 IN THE AFFIRMATIVE AND 37 IN THE
NEGATIVE) (QUORUM PRESENT)**

R E S O L U T I O N

Whereas, the Town of Arlington's operating budget is under great pressure from declining revenues and increases in fixed costs resulting in reductions to important services; and

Whereas, one of the major fixed cost increases that the Town of Arlington faces on an annual basis is the employee group health insurance account which for the past ten years has increased an average of 9.2% a year; and

Whereas, employee group insurance represented 9.6% of the fiscal year 2001 budget, and has risen to represent 16.8% of the proposed fiscal year 2011 budget; and

Whereas, the Federal Government plans to implement a luxury tax in 2018 on "Cadillac" health care plans that Arlington's current plans would be subject to, potentially costing the Town millions of dollars unless the plan costs are reduced; and

Whereas, the Town desires to provide quality health care plans to its employees at a cost that is fair and reasonable to both the employees and taxpayers; and

Whereas, there are options, such as the GIC, that will maintain the same quality health care coverage for town employees that, in the aggregate, will reduce costs for both the employees and the Town;

Now, therefore, be it resolved that:

Town Meeting urges in the strongest terms that the employee unions and Town Manager negotiate an agreement as expeditiously as possible that results in the Town opting into the State's Group Insurance Commission or agreeing to plan design changes to the Town's current menu of health insurance options that achieves cost savings similar to that of the Group Insurance Commission; and

Be it further resolved that:

If such agreement is not reached by Friday, September 24th, 2010, Town Meeting requests that the Board of Selectmen call a Special Town Meeting for the purpose of acting upon and approving the Home Rule Petition proposed in Article 27 of the 2010 Annual Town Meeting Warrant.

**A true copy of the vote under
Article 27 of the Warrant for the
Annual Town Meeting of the
Town of Arlington at the session
held May 24, 2010.**

ATTEST:

Town Clerk

VOTED: That the Town hereby authorizes and empowers the Board of Selectmen to cause the filing of a petition in substantially the following form with the General Court:

AN ACT relative to health insurance coverage for employees of the Town of Arlington.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Notwithstanding any general or special laws to the contrary, and notwithstanding in particular, but not limited to, any contrary provisions of Section nineteen (a), (b), (d), or (e) of Chapter thirty-two B, the Town of Arlington, through action of its Board of Selectmen as the appropriate public authority, may transfer its subscribers to the Group Insurance Commission pursuant to said Section nineteen (e) without the requirement of an agreement between the appropriate public authority and a public employee committee.

SECTION 2. Notwithstanding any general or special laws to the contrary, and notwithstanding in particular, but not limited to, any contrary provisions of Section nineteen of Chapter thirty-two B, upon the effective date of any transfer of the Town's subscribers to the Group Insurance Commission pursuant to Section one of this act, the total cost (premiums, co-pays, and deductibles) to the aggregate of such transferred subscribers shall be no greater for the insurance plan provided to such subscribers by the Group Insurance Commission than the total cost (premiums, co-pays, and deductibles) to the aggregate of such subscribers for the actuarially equivalent plans provided by the Town at the time of transfer. The cost to the aggregate of transferred subscribers at the time of transfer shall be determined based on the most recent and available 18 months of claims experience and pursuant to generally accepted actuarial standards by an actuary qualified to perform such calculations who shall be mutually selected by the Town and Employee Committee and who shall certify such cost determination in a report detailing the methodology and assumptions used and the maximum percentage of premium contributions by employees for each GIC plan so as to comply with the provisions of this section. Said Employee Committee shall be comprised of a representative of each collective bargaining unit and a retiree representative designated by the Retired State, County and Municipal Employees Association. If the Town and Employee Committee cannot agree on an actuary, the Arlington Retirement Board shall select one. The determination of the actuary shall be final and binding.

Section 3. This Act shall take effect upon its passage.

**Town of Arlington
Employee Information Session
Health Care**

Monday, November 1st, 2010

1:30 P.M.

Town Hall Auditorium

Why Are We Having This Discussion?

- Nation is still in recovery from a global financial crisis that caused the worst recession since the Great Depression.
- Commonwealth of Massachusetts has lost nearly 500,000 jobs since the start of the crisis, more employees have taken pay cuts, and others have had both pay and benefits cut.
- Arlington is facing an FY 12 deficit that is projected to be between \$6-7 million.

Why Are We Having This Discussion?

- Health care costs are the major cost driver in the Town's budget each year. This creates a need to find ways to reduce this cost.
- Arlington's health care costs have increased from 10% (\$6,400,800) of the annual budget in 2000, to nearly 16% (\$17,719,015) of the annual budget in 2010.
- The current menu of plans are unsustainable, and project to be subject to the "Cadillac" tax as created by Federal Health Care Reform. This projects to cost the Town \$4,000,000 in penalties in 2018.

“But The Town is Always Crying Poor”

- In 2005, Arlington voters passed a \$6,000,000 override that sustained the Town’s budget for 6 years.
- Without that override in 2005, Arlington would have faced steep cuts as a result of recession much earlier.
- Today, the funds created by the 2005 override and the Federal Stimulus Bill are exhausted. Without these funds, Arlington faces a very serious budget for FY 12. A deficit that the Town has not seen for many years.

Arlington's FY 12 Fiscal Picture

Revenue Factors

Federal Funds	(\$886)
Free Cash	(\$195)
Override Fund	(\$1,600)
Overlay Reserve	(\$300)
Property Tax	\$2,240
<u>Local Receipts</u>	<u>\$50</u>
Net Revenue Effects	(\$691)

Cost Factors

Hlth. Ins. Incr. (8.71%)	\$1,690
School Bdgt. (3.5%)	\$1,800
Town Bdgt. (3.5%)	\$970
Debt Service/Capital	\$615
Pension Increases (6%)	\$411
<u>Other Cost Increases</u>	<u>\$234</u>
Net Cost Effects	\$5,720

Projected FY 12 Deficit (\$6,411)

Assumes Level State Aid
Numbers represented in Thousands

Arlington's FY 12 Picture Cont'd

One Time Fund Usage

Diff. Between FY 11 Usage and FY 12 Availability

Free Cash & Overlay Reserve	\$495
Override Stabilization Fund	\$1,600
Tip Fee Stabilization	\$230
Federal Funds	\$886
Total	\$3,211

Numbers represented in Thousands

Health Care Savings Goals

- In order to reduce the amount of potential layoffs, health care savings remain a top priority.
- Retain quality of health care coverage as currently provided to employees
- Provide this coverage while causing no additional costs to employees in the aggregate

GIC Cost Savings

	TOTAL SAVINGS	TOWN	EMPLOYEES/ RETIREES
Savings	\$4.7	\$1.9	\$2.8
Inc Co-Pays/ Deductibles	(\$0.7)		(\$0.7)
Net Savings Allocation	\$4.0	\$1.9	\$2.1

\$4.7M GIC Savings

EMPLOYEE ALLOCATION OF SAVINGS

Premium Savings	\$1.34
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Inc Co-Pays/Ded	<u>(\$0.70)</u>
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Sub-total	\$0.64
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Additional savings	\$1.10
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Available for wage inc.

Retiree Medicare	\$0.33
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Subsidy	<u> </u>
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Net In-pocket savings	\$2.07
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for employees/retirees
after copays/deductibles

Individual Impacts of GIC

HMO Blue Family 85/15

Premium Savings	\$1,249
Potential wage inc.	<u>\$ 752</u>
Net In-Pocket savings Before Copays/Deductible	\$2,001

No GIC vs. GIC

- No Funds Available for Wage Increase in FY 12 and Beyond
 - A Large Number of Employees Will Lose Their Jobs and Benefits
- Maintain Same Quality Health Care
 - Employees/Retirees Pay Less in the Aggregate for Health Care, Even After Increase in OOP Costs
 - Funds Available for Wage Increases in FY 11, FY 12, and FY 13
 - Total Net Benefit in Employee Pocket = \$2+ Million
 - After Premium Savings and Wage Increases Are Taken into Account, a Small % of Employees Will Pay More OOP

Stratton School Project Adjustments

Stratton School Article 4 STM

- Original capital allocation \$150,000 low:
 - Project bids under plan by \$100,000 – good news,
 - Unused capital transfer by CPC \$50,000.
- HVAC/Furnace, other equipment long lead time (4-5 months), Spring bond authorization would delay project a year.
- Article moves authorization to now, allowing work to proceed, PTBC won't spend and Treasurer won't borrow till FY 2012.
- Taxpayer impact same as in Capital Plan with possible savings at Project end.
- Capital Planning Committee has voted for the Article

Stratton Project Adjustments

Project Phase	Funding Source	Original Request	Capital Plan as Voted	Variance	Proposed/Actual Nov 2010	Proposed/Actual vs. Original
Phase 1	Cash Transfer	\$150,000	\$135,000	(\$15,000)	\$135,000	(\$15,000)
	Additional Cash Transfer 2010				\$50,000	\$50,000
	Bonding	\$694,000	\$695,000	\$1,000	\$695,000	\$1,000
	Apply Savings from Bids				\$100,000	\$100,000
	Advance Bonds Six Months*				\$1,360,000	\$1,360,000
Phase 2	Bonding	\$1,150,000	\$1,015,000	(\$135,000)		(\$1,150,000)
Phase 3	Bonding	\$546,000	\$545,000	(\$1,000)	\$200,000	(\$346,000)
Total		\$2,540,000	\$2,390,000	(\$150,000)	\$2,540,000	
*Bond Advance Number approximate pending PTBC Meeting November 2						



Office of the Treasurer & Collector of Taxes

***Town of Arlington, Massachusetts
730 Massachusetts Avenue
Arlington, MA 02476***

***Telephone Number: 781-316-3031
Facsimile Telephone: 781-316-3039***

**Stephen J. Gilligan
Treasurer & Collector of Taxes**

Copy

MEMORANDUM

To: Alan Tosti, Chairman - Finance Committee

From: Stephen Gilligan- Treasurer & Collector Of Taxes *Stephen J. Gilligan*

Date: September 27, 2010

Re: Request Transfer Of Funds Of \$150,349.00 For Retirement Board FY 2011 Appropriation.

This request for transfer of funds is based upon the appropriation voted by the 2010 Annual Town Meeting, as recommended by the Finance Committee, being lower than the requested amount of the Arlington Retirement Board. Please note the following:

- The 2010 Annual Town Meeting appropriation vote, Retirement Board Budget No. 23:
 - Contributory Pensions \$7,448,154.00
 - Water & Sewer off-set (\$ 752,000.00)
 - Non-Contributory pensions of \$ 156,687.00
 - Total \$6,852,841.00

As I stated during Town Meeting, PERAC certifies the amount required to be appropriated and transferred to the Arlington Retirement Board (ARB) based upon actuarial data and the Town's established date for fully funding the pension liability, regardless of any recommendation or vote taken. I would strongly recommend that future Finance Committee recommendations on pension appropriations match the numbers certified by PERAC for the ARB budget appropriation.

On July 16, 2010 my office transferred \$7,598,503.00 of Town funds to the ARB, as requested.

This memorandum requests the difference of \$150,349.00 be transferred from Free Cash to reimburse the General Fund.

Thank you.